

SANTAK HOLDINGS LIMITED
(Incorporated in Singapore)
(Company Registration No: 200101065H)

**RESPONSE TO SIAS'S QUERY ON THE COMPANY'S ANNUAL REPORT FOR THE
FINANCIAL YEAR ENDED 30 JUNE 2017 ("ANNUAL REPORT 2017")**

The Board of Directors (the "**Board**") of Santak Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") refer to the following queries raised by the Securities Investors Association (Singapore) (the "**SIAS**") in relation to the Annual Report 2017.

Query (a):

Mr Lee Keen Whye and Mr Ch'ng Jit Koon were each first appointed to the board on 12 March 2001. Both Mr Lee and Mr Ch'ng have been on the board for more than 16 years.

The Nominating Committee ("NC") comprises Mr Ch'ng Jit Koon (as chairman), Mr Lee Keen Whye and Mr Tan Chee Hawaii (who is the Group Managing Director / Executive Director).

As disclosed in the "Report on Corporate Governance", the NC "has conducted a rigorous review of the independence of the Independent Directors, Mr Lee Keen Whye and Mr Ch'ng Jit Koon and determined that they have maintained their independence after considering the recommendations set out in the Code".

As both long tenured directors are also NC members, can the directors confirm that no NC member was involved in the deliberation in respect of his own independence?

Company's Response:

Yes, no NC member was involved in the deliberation in respect of his own independence.

Query (b):

Notwithstanding that the board, after taking into account the views of the NC, deems both long-tenured directors as independent, Guideline 2.4 of the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore requires the board to "also take into account the need for progressive refreshing of the Board".

What are the company's plans for the progressive refreshing of the board, as required by Guideline 2.4 of the Code?

Company's Response:

The Board considers continuity and stability of the Board important and that it is not in the interest of the Company to require directors who have served more than nine years or longer to be ineligible for re-election (as independent directors). Both Mr Lee and Mr Ch'ng have many years of business and financial experience and are able to serve the present needs of the Company in terms of their experiences and knowledge in finance and understanding of the precision components business and the markets, notwithstanding their long tenure. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board.

Query (c):

What is the search and nomination process for new board directors, especially independent directors?

Company's Response:

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and the NC will review and consider the qualifications and experience of the potential candidates before the candidate is appointed to the Board. The Company has no formal search and nomination process for new board directors. However, it is likely that the NC would go through the following procedures in the selection and nomination for new directors, i.e. the NC may tap on the directors' resources for recommendations of potential candidates or external resources may also be sought to source for potential candidates, where necessary. The potential candidates will go through a shortlisting process and thereafter, interviews are set up with the shortlisted candidates for the NC to assess them before a decision is made.

Query (d):

In addition, the company has entered into a contract with Strategic Alliance Capital Pte Ltd ("SAC"), a company of which a director (Mr Lee Keen Whye, Non-Executive Chairman/Independent Director) is a member and has a substantial financial interest, for the provision of advisory and consultancy services.

Can the company disclose the nature and range of advisory and consultancy services provided by Mr Lee's firm, Strategic Alliance Capital Pte Ltd?

Company's Response:

Strategic Alliance Capital Pte Ltd (the "Consultant") advised the Company in respect of its business strategies and recommend changes in the organizational aspects of the Company if necessary.

The Consultant was required to advise the Company's CEO, CFO and his management team on various matters pertaining to the smooth running for the Company especially with respect to the business strategy, financial reporting and corporate governance.

Query (e):

For how long has the provision of advisory and consultancy services been ongoing? The advisory and consultancy fees to SAC were \$194,000 in 2012, \$199,240 in 2013, \$96,000 in 2014, \$96,000 in 2015, \$96,000 in 2016 and \$96,000 in 2017.

Company's Response:

The provision of advisory and consultancy services commenced from 1 September 2004 and expired/ceased on 30 June 2017.

Query (f):

As Mr Lee is the “Independent director and Chairman” of the company, would Mr Lee be put in a position where he is frequently asked to review the work of SAC? As “Independent director and Chairman”, how does Mr Lee mitigate the risks of potential conflict of interest, self-review or advocacy threats?

Company’s Response:

Assessment of work of SAC was done by management. Mr Lee has declared his potential conflict of interest to the AC and the Board which approved the appointment of SAC with Mr Lee abstaining and recusing from discussing and voting on the appointment of SAC. SAC worked with management to come out with proposals which were then decided on by management.

Mr Lee abstained and recused from discussing and voting on issues that he is interested in. He has also not been involved in any executive functions as well as day-to-day operations of the Group.

Mr Lee also expressed his individual views, objectively challenged the management where necessary. He sought clarifications and amplifications as he deemed required.

Query (g):

In Guideline 2.3 of the Code, it was specified that the board should state its reasons why it may regard a director as independent notwithstanding a director being a partner/10% shareholder of an entity that provided material services (which include consulting services) to the company. Would the board and the nominating committee explain to shareholder what deliberations it has gone through?

Company’s Response:

The AC and the Board reviewed and approved the appointment of SAC, notwithstanding knowing that Mr Lee has more than 10% shareholding in SAC, to provide the general consultancy services to the Company which management deemed necessary and which was beyond Mr Lee’s role as an independent director of the Company. Mr Lee abstained and recused from discussing and voting on issues that he is interested in and was recorded in the minutes. He was not involved in any executive functions and day-to-day operations of the Company. He also challenged the management accordingly where necessary.

Under CG code, a director who in the current or immediate past financial year, is or was; a 10% shareholder of, a partner (with 10% or more stake) or an executive officer of, or a director of, any organisation to which the Company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments or material services, in the current or immediate past financial year. As a guide, payments aggregate over any financial year in excess of S\$200,000 should generally be deemed significant.

In this case, the fees that SAC received as consultant were less than S\$200,000 per year since the commencement of the advisory and consultancy services.

Query (h):

For better transparency, can the company disclose the fees Mr Lee receives as a director?

Company's Response:

Mr Lee received S\$45,000 director' fee for the financial year ended 30 June 2017.

By Order of the Board

Lai Foon Kuen
Company Secretary
10 January 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Foo Quee Yin.
Telephone number: 6221 0271